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NSC BRIEFING

2 February 1954

THE SHIFTING PATTERN OF SOVIET TRADE WITH THE WEST

I. Recent developments in Soviet trade with the West.

- A. Since the death of Stalin, the commodity pattern of Soviet trade has been shifted, with the USSR importing a greater volume of consumer goods and exporting precious metals and strategic minerals in quantity.
- B. The USSR has sharply increased imports of consumer goods from the West, but did not attain its goal of \$300,000,000 worth in 1953. Such imports possibly totalled \$200,000,000 in 1953 compared with \$50,000,000 to \$60,000,000 in 1952.
- C. The USSR has given renewed attention to concluding formal trade agreements with non-Communist governments.

II. Shifts in the commodity pattern of Soviet trade since the death of Stalin.

- A. Consistent with internal commitments to improve living standards, the new Soviet leaders have stepped up sharply the import of consumer goods.

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1. New trade agreements have included a higher proportion of consumer goods on the Soviet import lists as compared with the predominant demand for strategic goods in former years. For example the 1953 agreements with France and Italy include unprecedented quantities of textiles.
2. Spot purchases of butter have been made from countries of Western Europe, meat from Latin America, and meat and wool from Australia and New Zealand.
3. Attempts have been made to procure 40,000 tons of butter and 200,000 tons of cotton seed oil from the United States.
4. Nevertheless the USSR has continued clandestine procurement of strategic goods through Western free ports and has been negotiating for the purchase of Western-built refrigerator ships, ice-breakers and dry cargo vessels.

B. With the USSR's traditional foreign exchange earners in

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grains and timber is now being replaced by increased shipments of petroleum products, precious metals, and mineral ores and products.

1. Unusually large sales of Soviet gold amounting to some \$125,000,000 have been made in Western Europe in the past three months.
 2. For the first time since the war, the USSR is prepared to sell in quantity such commodities as manganese, chrome, 100,000 tons of pig iron to Great Britain and 10,000 tons of cast iron to Argentina.
 3. The USSR has contracted to export to the West over 2,500,000 tons of petroleum products.
 4. Soviet exports are small relative to total world trade in each of these commodities.
- C. During a period of readjustment in the Soviet trade pattern in the first half of 1953, the total volume of Soviet exchanges with the West fell below the level for the same period in 1952.

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1. Trade with the West increased steadily during the last half of 1953 and is scheduled to rise further in 1954.

III. Soviet emphasis on expanding formal trading arrangements with Western governments.

A. In 1953, the USSR negotiated trade agreements with 14 Western countries (see attached list), most of which call for an increased volume of exchange in 1954.

1. Seven of the new agreements are with countries with which the USSR had no formal trade agreement in 1952.
2. In these negotiations, the Soviet approach has been uncharacteristically businesslike, with a minimum of maneuvering for propaganda effect.
3. In addition to the agreements originally concluded, supplementary agreements calling for further increases in trade have been signed with Iran and Norway and a similar arrangement is now being negotiated with France.
4. British, French, and Egyptian commercial delegations

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B. The USSR is now bidding for closer ties with raw material producing countries by offering credits and technical assistance.

1. Soviet credits of \$30,000,000 have been given to Argentina and \$3,500,000 to Afghanistan under the current agreements.
2. Agreements have been concluded with India and Afghanistan which make Soviet industrial technicians available to these countries.
3. In the UN, the USSR has recently offered to provide technicians for hydroelectric development in any Asian country.

IV. Implications of the new Soviet approach to trade.

- A. The USSR aims to increase the availability of consumer goods as an incentive for greater labor productivity.
- B. As a by-product of its new approach in Western Europe, the USSR stands to gain a political advantage by reducing

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support for COCOM and exploiting differences in attitude between the US and Western European governments.

1. Already the UK has officially called for a drastic reduction in the number of items subject to control.

2. France, Belgium, and Italy have demonstrated their reluctance to be bound by existing controls.

C. By expanding commercial ties with the underdeveloped countries, the USSR is in a position to improve its political relations with these states.

1. The agreements with Argentina, Iran, and India have stimulated the interest of other Latin American, Middle Eastern, and Asian countries in exploring the possibilities of trade with the USSR.

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Countries with which the
USSR had trade agreements
in 1952

Afghanistan

Belgium

Finland

Italy

Iran

Norway

Sweden

Countries with which the
USSR has negotiated trade
agreements in the past
twelve months *

Afghanistan

Argentina

Belgium

Denmark

Egypt

France

Finland

Greece

Iceland

India

Italy

Iran

Norway

Sweden

Pattern in known Soviet Gold
Sales in the West

1952	\$ 85,000,000
1953 (first nine months)	40,000,000
1953 (last three months)	125,000,000

* The USSR has no formal trade agreement with the United Kingdom, its largest single trading partner, which has accounted for more than one-third of its trade with the West in past years.

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